First Quarter 2009

Firms in the South Jersey region reported a continuing decline in business during the first quarter. Indicators for overall business activity and sales at individual companies continued to suggest widespread declines. Nearly 40 percent of the firms also reported decreases in employment. Consistent with overall weakness, many firms reported lower prices for their own products. Firms’ expectations for their own business growth over the next six months were notably more optimistic than in the previous survey.

Current Indicators Improve Modestly

The survey’s broadest measure of performance, the index of general activity at individual companies, increased from a record low of -43.1 in the fourth quarter to -24.5 in the first quarter. The index has remained negative since the third quarter of 2007 (just before the start of the current recession; see Chart). Forty-two percent of the respondents reported lower levels of business activity, while only 17 percent reported higher levels. The survey’s indicator for sales improved eight points, but more firms reported a decline in sales (42 percent) than reported an increase (15 percent).

On balance, firms continued to shed jobs: The percentage of firms indicating a decrease in employment in the first quarter (40 percent) was higher than the percentage indicating an increase (17 percent). The current employment index remained negative, although it edged three points higher than in the fourth quarter.

Higher Costs, Lower Prices Reported

Slightly more than one-quarter of the South Jersey businesses surveyed indicated having higher costs (for raw materials, excluding energy) in the first quarter. The prices paid index for these materials edged seven points lower than the fourth-quarter reading. Regarding prices received for their own products, the percentage reporting a decrease (30 percent) was more than three times the percentage reporting price an increase (9 percent). The largest segment, 51 percent, reported stable prices during the quarter.

Business Outlook Improved

South Jersey firms were notably more optimistic about the future this quarter, and their responses suggest a belief that the drop in business activity will bottom out over the next six months. The index of future activity at individual companies increased appreciably, from a record low of -12.1 in the fourth quarter to 26.4 in the first quarter (see Chart). The percentage of firms expecting an improvement in conditions (47 percent) now exceeds the percentage expecting deterioration (21 percent). Responses regarding future growth suggest a degree of cautious optimism, however. More firms expect an increase in sales over the next six months (38 percent) than expect a decrease (19 percent), but more firms expect a decline in big ticket sales than expect an increase (28 percent versus 17 percent). Expectations for employment also remain muted: About the same percentage of firms expect an increase in employment (19 percent) as ex-
pect a decrease (21 percent). Nevertheless, the future employment index showed significant improvement from the fourth quarter, increasing from -20.7 to -1.9.

In special questions, firms were asked about the possible impact of recent credit conditions on their business (see the Special Questions). Slightly more than one-quarter of the firms cited tight credit as a factor in damping customer demand. However, weak economic conditions and uncertainty about future conditions were cited by 68 percent of the firms. Although 26 percent of the firms indicated having difficulty obtaining financing for long-term uses such as capital expenditures, 37 percent cited problems obtaining financing for short-term uses. Only slightly more than one-quarter of the firms said that problems obtaining credit had reduced sales or production.

Summary

According to the latest South Jersey Business Survey, declines in business continued to be widespread in the first quarter. Some indexes of activity, however, were not as negative as they were at the end of last year. The firms polled reported continued declines in sales and employment at their businesses during the quarter, and many reported a decrease in prices for their own products. However, the executives were significantly more optimistic about growth over the next six months than in the previous survey.

| Special Questions (First Quarter 2009) |
|-------------------------------------------------|---------------------------------|
| 1. What factors are currently dampening your customers’ demand for your products or services? |
| Percentage of Respondents* |
| Weak economic conditions | 68.4% |
| Uncertainty about future conditions | 68.4% |
| Tight credit | 26.3% |

*Firms could cite more than one factor, so percentages do not add to 100.

<table>
<thead>
<tr>
<th>Percentage of Respondents</th>
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</thead>
<tbody>
<tr>
<td>No difficulty</td>
</tr>
<tr>
<td>2. To what extent is your business having difficulty obtaining financing for desired long-term uses such as capital expenditures?</td>
</tr>
<tr>
<td>52.6%</td>
</tr>
<tr>
<td>3. To what extent is your business having difficulty obtaining financing for desired short-term uses such as paying workers and acquiring inventories of material or supplies?</td>
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<tr>
<td>57.9%</td>
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<tr>
<td>4. Have problems obtaining credit either for capital expenditures or short-term needs reduced your firm’s production and/or sales?</td>
</tr>
<tr>
<td>No</td>
</tr>
<tr>
<td>42.1%</td>
</tr>
<tr>
<td>5. Have your suppliers been reporting difficulty obtaining credit</td>
</tr>
<tr>
<td>31.6%</td>
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<tr>
<td>6. If yes, have their difficulties being affecting your business</td>
</tr>
<tr>
<td>42.2%</td>
</tr>
</tbody>
</table>

**South Jersey Business Survey**

(First Quarter 2009)

<table>
<thead>
<tr>
<th>Compared with 3 Months Ago</th>
<th>Six Months from Now</th>
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</thead>
<tbody>
<tr>
<td><strong>1. What is your assessment of the level of general business activity?</strong></td>
<td><strong>Previous Diffusion Index</strong></td>
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<tr>
<td>----------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>1.1 In the region?</td>
<td>-77.6</td>
</tr>
<tr>
<td>1.2 At your company?</td>
<td>-43.1</td>
</tr>
<tr>
<td>2. Specific company performance measures:</td>
<td><strong>Previous Diffusion Index</strong></td>
</tr>
<tr>
<td>2.1 Total sales</td>
<td>-34.5</td>
</tr>
<tr>
<td>2.2 Big ticket sales</td>
<td>-37.9</td>
</tr>
<tr>
<td>2.2 Product Inventories</td>
<td>-27.6</td>
</tr>
<tr>
<td>2.4 Number of employees</td>
<td>-25.9</td>
</tr>
<tr>
<td>2.5 Prices actually received</td>
<td>-6.9</td>
</tr>
<tr>
<td>2.6 Prices paid for raw material (not energy)</td>
<td>22.4</td>
</tr>
</tbody>
</table>

1. The South Jersey Business Survey is conducted each quarter and is based on responses from members of the Chamber of Commerce of Southern New Jersey.
2. Diffusion indexes represent the percentage of respondents indicating an increase minus the percentage indicating a decrease. Items may not add to 100 because of omission by respondents.